

Excerpts from Equality for Women = Prosperity for All
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Incentives

(From Chapter 4, The Culture Question)

It has been generally accepted by contemporary economists that failed states and failed economies are associated with the failure of incentives. In the Soviet Union, for example, the prevailing economic paradigm during the 20th century was central planning, an ideologically-driven system in which government bureaucrats made all the decisions about production, distribution, prices of goods and services. The Communist party suppressed positive incentives to growth; in their stead it attempted to establish a new cultural model, defined by a set of abstract values, habits, beliefs and attitudes, which were underpinned by a fairly complex institutional infrastructure. But this model, which was imposed through terror and repression in the early years, gradually proved to be a mirage as the decades passed. Instead of being willingly held and therefore culturally authentic, people's so-called values under communism were, for the most part, rational accommodations to the prevailing orthodoxy, moral compromises made in an effort to feed a family and to survive.

In other words, it did not greatly matter, in the Soviet Union, whether people believed in the system or not: what mattered was that the system affected their behavior. Central planning offered no scope for private property, no possibility for entrepreneurial initiative and no price system. Wage differentials were extremely narrow, promotion was not linked to performance, and lifetime employment was more or less guaranteed. As a result people had no idea about the scarcity or value of things and therefore no incentives. This inevitably produced a culture of passivity and paralysis, but the absence of a work ethic in the Soviet Union was not a reflection of laziness or lack of discipline: it was a natural and indeed logical response to an environment in which cultural incentives were radically eroded.

It is worth repeating that people will respond to incentives, whether these are positive or negative, intelligent or perverse. Give them cheap gasoline and they will drive their cars to the toilet and pollute the air. Give them lifetime job security and no stimulus for advancement, and they will slack off and pretend to be working when they are not. And the same is true for the role and participation of women in the economy. Curtail the opportunities of women to educate themselves and they will soon look like and increasingly been perceived as pieces of furniture. Limit their access to the job market and to knowledge and they will begin to sound intellectually inferior and be treated as such. Clearly, incentives that have had a role in shaping peoples' attitudes toward the other sex, may go a long way toward explaining discriminatory behaviors.

Another example of the cultural role played by incentives which can highlight their importance for gender equality is to be found in Indian history. According to Landes (1994) India was the world's leading producer of cotton goods in the 17th and 18th century with a major presence in the Asian markets. These goods were also popular in Europe but the high demand from abroad did not lead to technological improvements in production on the subcontinent. At least one plausible, if partial, explanation for this puzzle was that, unlike Britain, where there were powerful economic incentives to find mechanical substitutes for human skills and manpower, India had an

inexhaustible supply of cheap labor, frequently female, which was readily available to use its existing technologies. Indians were not necessarily less inventive than the British—they just operated in an environment in which the economic incentives for invention and innovation were different from those prevailing in Britain.

Just as negative incentives influenced behavior, effort and priorities in India, with direct consequences on the economy and gender equality, so too positive incentives in the US and the UK encouraged improvements in the lot of women in the 19th century with long-term prosperity for the economy at large. Franck (2001) provides examples to buttress this claim by showing how the emergence of a middle class in the aftermath of the industrial revolution in the United Kingdom increased the demand for high quality children's education. This opened up the teaching profession to women, and gave them an incentive not only to enter the workforce but also to raise the level of literacy throughout the land, because new supplies had to meet the rising demand. The demographic consequences of the Civil War in the United States also created new openings for women, just as it expanded opportunities for African Americans to improve their lot, and this in turn provided them with further incentives to seek higher qualifications in medicine and in the law. The ripple effects of these cultural shifts in society led to a whole range of improvements in the Western world. Progress in transport and communications increased people's mobility, which led to demonstration effects, as the observation of positive results contributed to the cause of change.¹ These, in turn, influenced people's willingness to participate in and form opinions about the management of society, enhancing the level of informed and politically active citizens, including women. So the widespread economic impact of gender equality in Western countries was clearly linked to increased incentives.

A final example of the role of incentives in a culture can be found in Ghana. Many economists in the early 1960s thought that Ghana, with its rich environmental resources, would develop faster over the longer-term than South Korea, which had poor natural endowments and complicated geopolitics at the end of the Korean war. How much of Ghana's stunted development since then has been due to culture? How much of its potential at the time of its independence has been wasted because of bad policies that have undermined all incentives for progress? As in the case of other countries where gender equality has been undermined as a result of negative incentives, the policies were so poor in Ghana during the last several decades that they spawned corruption, induced political instability and beset the country with numerous ills. Political instability in other developing countries like Ghana has led to an inability to look beyond the next year and an unwillingness on the part of investors to plan for the long-term because of the associated risks. And these conditions are invariably linked to negative incentives for the enhancement of gender equality.

In a nutshell: what may appear to be a cultural trait may, in fact, be an economic incentive and thus amenable to change if and when the underlying conditions in a country are altered. From this perspective, poverty and underdevelopment are less due to culture than to the malfunction of

¹ A recent historical example of the power of demonstration effects is provided by the opening (glasnost) set in motion by Mikhail Gorbachev in the waning days of the Soviet Union. Glasnost may well have accelerated the collapse of internal Communist Party control, in the second half of the 1980s, which had previously been based on censorship, travel restrictions, limitations on the access to information and other constraints which fed the myth that central planning was a functioning engine of human prosperity and a viable alternative to the market economy.

economies. And by extension, the lack of gender equality, the oppression of women in society, and discrimination against them in the family, in the work place, and at governmental levels, is not necessarily culturally determined either but could be linked to a lack of positive and the proliferation of negative incentives that block their progress. A good example of this is provided by the relative success of various diasporas all over the world, ethnic or national communities that are often highly successful once they establish themselves abroad. In many of these, women play a preponderant role as soon as they find themselves with the incentives for improvement. This seems to suggest that so-called backwardness at home may have had more to do with the underlying policy framework and the incentives in an economy rather than any particular cultural attributes. We need to be cautious therefore, against undue pessimism about countries or continents allegedly under the influence of the ‘wrong’ kind of culture.

In fact, there is considerable evidence that the notion of culture *per se* might be a mirage and in some ways ‘wrong,’ in and of itself. The anthropologist Murdock (1965) cites 64 elements that are common to the cultures of Korea and Ghana, from community organization to dream interpretation, from etiquette to inheritance rules.² He argues that although behaviors, such as eating rice with chopsticks or not, will differ across cultures, “all ... are constructed according to a single fundamental plan—the ‘universal cultural pattern,’” a concept he believes is based on the “psychic unity of mankind.” Murdock (p. 91) claims that

all peoples now living or of whom we possess substantial historical records, irrespective of differences in geography and physique, are essentially alike in their basic psychological equipment and mechanism, and that the cultural differences between them reflect only the differential responses of essentially similar organisms to unlike stimuli or conditions.

Or, *unlike incentives* he might have convincingly added.

² The list also includes such elements as: bodily adornment, calendar, cooperative labor, eschatology, ethics, food taboos, greetings, incest taboos, joking, language, law, luck superstitions, medicine, mythology, numerals, penal sanctions, property rights, religious ritual, status differentiation, surgery, tool making, trade, and more.